

CHIEFLY TO TRADE DRASTIC
REDUCTION OF OUR
MANUFACTURING COSTS

INTERNATIONAL SHOE CO.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

NOVEMBER 30, 1920.

BOARDS
9-84-33
1920

OFFICERS

JACKSON JOHNSON	.	.	.	.	.	.	.	Chairman of the Board
F. C. RAND	.	.	.	.	.	.	.	President
H. W. PETERS	.	.	.	.	.	.	.	Vice President
W. H. MOULTON	.	.	.	.	.	.	.	Vice President
HORTON WATKINS	.	.	.	.	.	.	.	Vice President
J. T. PETTUS	.	.	.	.	.	.	.	Vice President
C. D. P. HAMILTON	.	.	.	.	.	.	.	Vice President
THEODORE MORENO	.	.	.	.	.	.	.	Vice President
A. W. JOHNSON	.	.	.	.	.	.	.	Vice President
F. A. SUDHOLT	.	.	.	.	.	.	.	Treasurer
D. E. WOODS	.	.	.	.	.	.	.	Secretary
B. A. GRAY	.	.	.	.	.	.	.	Auditor
W. N. SITTON	.	.	.	.	.	.	.	Asst. Treasurer

DIRECTORS

B. A. GRAY	E. H. PETERS
H. R. GREEN	H. W. PETERS
FRED HUME	J. T. PETTUS
H. S. JAMISON	F. C. RAND
P. B. JAMISON	C. REESE, JR.
H. E. JENKINS	W. L. SHAW
A. W. JOHNSON	H. C. STRIBLING
JACKSON JOHNSON	F. A. SUDHOLT
STANLEY KING	S. M. TIPTON
W. P. MASON	GRIFFIN WATKINS
T. MORENO	HORTON WATKINS
W. H. MOULTON	D. E. WOODS

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December 29th, 1926.

To OUR STOCKHOLDERS:-

Financial report showing the results of the International Shoe Company's operation for the fiscal year ended November 30th, 1926, is enclosed herewith.

The Company's net sales to customers for the fiscal year ended November 30th, 1926, were \$116,980,835.54. Our subsidiary plants (such as tanneries of sole leather and upper leather, rubber and leather heel factories, box toe, carton and container, chemical, rubber cement, etc.) produced during 1926, shoe materials and shoe supplies amounting to \$55,932,510.78, which, combined with our sales, made an aggregate of \$172,913,346.32 business transacted.

Net earnings (after taxes) for the fiscal year were \$13,217,576.33.

During the year most modern equipment for the manufacture of rubber heels was installed in the Mark Twain Plant at Hannibal, which is now making about 125,000 pairs of rubber heels daily.

On December 13th, your Company purchased from the Continental Leather Company of Philadelphia a sole leather tannery and extract plant. The sole leather tannery is located at Bridesburg, Pennsylvania (a suburb of Philadelphia), and has a capacity of 3,000 sides daily. The extract plant is located at Elkton, Virginia.

A split leather finishing plant erected during the year at Wood River, Illinois, has been in operation for four or five months and has substantially improved the quality of our finished splits.

The Marshall, Missouri shoe factory is being enlarged. The addition now in course of construction should be completed by April 15th, 1927, and from it we will get 3,500 pairs per day increase in the production of our scout shoes.

In many ways 1926 has been a difficult year. The present method of buying, on account of rapid and radical style changes, is wholly different from that of a few years ago. Formerly the Company secured orders in large volume for future delivery—this enabled us to make definite schedules for factory production and gave greater assurance to uninterrupted factory operations.

For the past two or three years it has become more and more difficult to anticipate the fluctuating demand for popular styles; but our factories have shown remarkable flexibility and adaptability in meeting the situation.

Although general conditions in the shoe and leather industries have not been favorable for the past four or five years, the Company has had a healthy growth both in volume of sales and in earnings, which is gratifying to its officers and directors.

The intrinsic value of the International Shoe Company's stock is found not in daily quotations on the stock market but in your Company's ability to stabilize its earnings and meet new conditions successfully, so that, in good years or bad, its earning power does not widely fluctuate. The following record illustrates this principle:

Earnings for 1924.....	\$13,060,795.00
Earnings for 1925.....	12,721,444.00
Earnings for 1926.....	13,217,576.00

The strength of the Company's position is not that its average annual earning shows \$13,000,000.00, but that earnings are consistent and uniform.

On November 30th your Directors felt warranted in voting an increase in the annual dividend on Common Stock from \$6.00 to \$7.00 per share. Commencing January 1st, 1927, the increased dividend will be paid quarterly at the rate of \$1.75 per share.

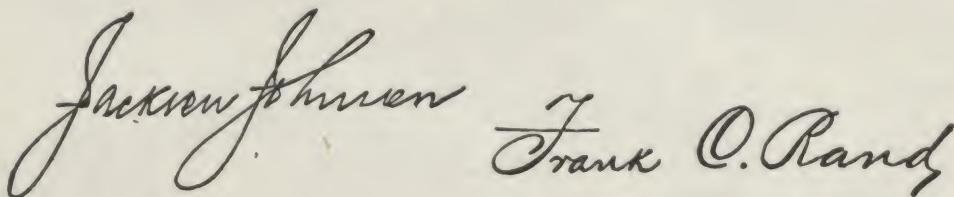
The Company is constantly strengthening its manufacturing not only in the shoemaking but also in the control and production of materials and supplies incident to shoemaking.

Despite its perplexing problems, Nineteen Twenty-six established a new high record for volume of sales and earnings by the Company. We believe in the Company's future—and begin Nineteen Twenty-seven with the confident hope that it will surpass the preceding years.

Respectfully submitted,

INTERNATIONAL SHOE COMPANY.

Yours truly,



Jackson Johnson Frank O. Rand

Chairman of the Board.

President.

INTERNATIONAL

CONSOLIDATED

As at November 30, 1925

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$ 4,637,142.85
Brokers Collateral Loans, secured by Listed Marketable Securities.....	6,000,000.00
Accounts Receivable:	
Customers, less Reserve for Discounts and Doubtful Accounts.....	\$ 20,515,974.86
Salesmen's Traveling Advances and Sundry Accounts.....	165,099.29
Notes Receivable.....	<u>93,476.00</u>
	<u>20,774,550.15</u>
Inventories:	
Manufactured Merchandise.....	9,976,376.98
Raw Materials, Merchandise in Process and Supplies.....	<u>16,286,846.98</u>
	<u>26,263,223.96</u>
TOTAL CURRENT ASSETS.....	57,674,916.96
Advances Secured by Preferred and Common Stock of International Shoe Company.....	374,254.30
Expenses Paid in Advance—Insurance Premiums, Taxes and Other Deferred Charges to Operations.....	223,959.00
Investments in Stocks and Bonds of Other Companies.....	165,933.62
Physical Properties at Tanneries, Shoe Factories, Supply Departments, and Sales Branches (Based on Appraisal as of April 30, 1925, plus subsequent Additions at cost):	
Land and Water Rights.....	1,601,630.50
Buildings and Structures.....	18,953,435.38
Machinery and Equipment.....	14,646,484.74
Lasts, Patterns and Dies.....	1.00
	<u>35,201,551.62</u>
TOTAL.....	35,201,551.62
Less—Reserve for Depreciation.....	<u>9,959,389.44</u>
Net Depreciated Sound Value of Physical Properties.....	<u>25,242,162.18</u>
TOTAL.....	<u>\$ 83,681,226.06</u>

SHOE COMPANY

BALANCE SHEET

for 30, 1926

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable for Merchandise, Expenses and Payrolls.....	\$ 3,333,572.20
Officers and Employees Balances and Deposits.....	588,941.00
TOTAL.....	<u>3,922,513.20</u>
Reserve for Income and Other Taxes.....	<u>2,435,000.00</u>
TOTAL CURRENT LIABILITIES.....	<u>6,357,513.20</u>
Reserve for Dividends on Preferred Stock.....	50,000.00

CAPITAL STOCK:

Preferred—6% Cumulative:

Authorized—250,000 shares of \$100.00 each, whereof outstanding— 100,000 shares.....	\$ 10,000,000.00
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Common Stock:

Authorized—1,400,000 shares without nominal or par value, whereof issued and outstanding—920,000 shares.....	<u>67,273,712.86</u>
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 TOTAL CAPITAL STOCK..... 77,273,712.86

Notes Payable Outstanding—None.

Contingent Liabilities—None.

 TOTAL..... \$ 83,681,226.06

INTERNATIONAL SHOE COMPANY

INCOME ACCOUNT

For the year ended November 30, 1926

Net Sales of Shoes and Other Manufactured Merchandise, after deduction of Returns and Allowances for Prepayments.....	\$116,980,835.54
Cost of Shoes and Merchandise Sold, after charging Operating Expenses, Depreciation (\$1,159,829.68), and Maintenance of Physical Properties; Selling, Administrative and Warehouse Expenses, and Credit Losses—Less Discounts on Purchases and Other Miscellaneous Earnings.....	101,627,658.61
GROSS EARNINGS.....	15,353,176.93
Interest Charges on Notes Payable.....	74,057.99
NET EARNINGS.....	15,279,118.94
Provision for Income Taxes.....	2,061,542.61
NET INCOME FOR YEAR.....	\$ 13,217,576.33

COMMON STOCK CAPITAL ACCOUNT

Net Income for year ended November 30, 1926..... \$ 13,217,576.33

Deduct Dividends Paid:

Preferred Stock—\$6.00 per share.....	\$ 600,000.00
Common Stock—\$6.00 per share.....	5,520,000.00
Excess of Net Income over Dividends.....	6,120,000.00

Equity of Common Stockholders at November 30, 1925, against which 920,000 shares without nominal or par value were outstanding.....	60,176,136.53
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Equity of Common Stockholders (920,000 shares) at November 30, 1926.....	\$ 67,273,712.86
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PEAT, MARWICK, MITCHELL & Co.
ACCOUNTANTS AND AUDITORS

CERTIFICATE OF AUDITORS

St. Louis, Mo., December 22, 1926.

We have audited the books and accounts of the International Shoe Company and Subsidiaries, for the year ended November 30, 1926, and certify that the accompanying Balance Sheet and Income Account have been prepared therefrom and, in our opinion, correctly present the financial position of the Company at November 30, 1926, and the results of its operations for the year then ended.

The cash and bank balances and securities owned have been verified by count or inspection or by certificates obtained from the depositories. We have satisfied ourselves that adequate provision has been made for doubtful accounts and notes receivable.

The quantities and valuation of the inventories of manufactured merchandise, raw materials, and supplies, prepared by the Company, have been certified to be correct by responsible officials. We have satisfied ourselves that the valuation was made on the basis of cost or market price, whichever was the lower.

All ascertained liabilities have been included in the accounts.

The physical properties are stated in accordance with the sound value thereof as determined by the American Appraisal Company as at April 30, 1925, plus subsequent additions at cost and after deduction of depreciation. Adequate charges against operations of the year under review have been made in respect of depreciation and maintenance of physical properties.

PEAT, MARWICK, MITCHELL & CO.

SALES BRANCHES

ST. LOUIS

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Shoe Specialty Manfg. Co.
Continental Shoemakers

BOSTON

Hutchinson-Winch

MANCHESTER, N. H.

Great Northern Shoe Co.
Interstate Shoe Co.

NEW YORK

Morse & Rogers

SHOE FACTORIES AND SUPPLY DEPARTMENTS

MISSOURI

St. Louis
Hickory St. & Mississippi Ave.
Broadway, Cherokee St. & Lemp Ave.
St. Louis & Jefferson Aves.
Thirteenth & Mullanphy Sts.
Twelfth & North Market Sts.
Jefferson Ave. & Madison St.
Glasgow Ave. & North Market St.
3417 Locust St.
1824 Washington Ave.
Bland
Cape Girardeau
Chamois
De Soto
Hannibal
Seventh & Collier Sts.
Maple Ave. & Collier St.
Hermann
Higginsville
Jackson
Jefferson City
Bolivar & McCarty Sts.
Main & Linn Sts.
Kirksville
Marshall
Mexico
Perryville
St. Charles
St. Clair
Sikeston
Sullivan
Sweet Springs
Vandalia
Washington

ILLINOIS

Belleville
Chester
Flora
Jerseyville
Mt. Vernon
Olney
Pittsfield
Springfield
Steeleville

NEW HAMPSHIRE

Claremont
Keene
Manchester
Central Plant
Cohas Factory
Eastside Factory
Derryfield Factory
Merrimack
Nashua
Newport

KENTUCKY

Paducah

TANNERIES

ILLINOIS

South Wood River

MISSOURI

St. Louis
Thirteenth & Mullanphy Sts.

NEW HAMPSHIRE

Manchester

NORTH CAROLINA

Morganton
North Wilkesboro

PENNSYLVANIA

Mt. Jewett
St. Marys
Philadelphia

